

**HEALTHINSIGHT**  
**Consolidated Financial Statements**  
*Years Ended June 30, 2009 and 2008*

**HEALTHINSIGHT**  
**Consolidated Financial Statements**  
*June 30, 2009 and 2008*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
HealthInsight  
Salt Lake City, Utah

We have audited the accompanying consolidated statements of financial position of HealthInsight (a non-profit organization) as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of HealthInsight's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HealthInsight as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2010 on our consideration of HealthInsight's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of HealthInsight taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Smith Powell & Company LLC*

January 13, 2010

# HealthInsight

## Consolidated Statements of Financial Position

*June 30, 2009 and 2008*

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,263,233	\$ 1,234,719
Investments (Note 3)	646,035	634,530
Accounts Receivable - Federal Direct Contracts	713,350	825,911
Accounts Receivable - Federal Pass-Through, 386,014		
Other Contracts and Grants	386,014	398,299
Accounts Receivable - Employees & Other	2,620	1,580
Grants Receivable	227,188	102,102
Prepaid Expenses	<u>260,729</u>	<u>58,818</u>
<b>Total Current Assets</b>	<u>3,499,169</u>	<u>3,255,959</u>
<b>Property and Equipment</b>		
Furniture and Equipment	929,196	887,550
Leasehold Improvements	<u>186,743</u>	<u>184,348</u>
Total at Cost	1,115,939	1,071,898
Less Accumulated Depreciation and Amortization	<u>(986,898)</u>	<u>(869,541)</u>
<b>Net Property and Equipment</b>	<u>129,041</u>	<u>202,357</u>
<b>Long-Term and Other Assets</b>		
Deposits	25,325	26,543
Other Investments (Note 3)	<u>72,185</u>	<u>68,666</u>
<b>Total Long-Term and Other Assets</b>	<u>97,510</u>	<u>95,209</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 3,725,720</b></u>	<u><b>\$ 3,553,525</b></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 94,348	\$ 90,589
Unearned Revenue	363,535	438,732
Other Current Liabilities	43,387	18,036
Accrued Vacation Expense	182,643	179,030
Accrued Payroll Expenses	<u>227,910</u>	<u>234,705</u>
<b>Total Current Liabilities</b>	<u>911,823</u>	<u>961,092</u>
 <b>Total Liabilities</b>	<u>911,823</u>	<u>961,092</u>
 <b>Net Assets</b>		
Unrestricted	<u>2,813,897</u>	<u>2,592,433</u>
<b>Total Net Assets</b>	<u>2,813,897</u>	<u>2,592,433</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 3,725,720</b></u>	<u><b>\$ 3,553,525</b></u>

*The accompanying notes are an integral part of the financial statements.*

# HealthInsight

## Consolidated Statements of Activities

*For The Years Ended June 30, 2009 and 2008*

UNRESTRICTED NET ASSETS	<u>2009</u>	<u>2008</u>
<b>Revenue and Support</b>		
Federal Direct Contracts	\$ 5,080,122	\$ 5,288,040
Federal Pass-Through	1,114,456	878,038
Other Contracts, Grants and Revenue	693,819	618,839
Investment Return (Note 3)	(50,523)	(38,907)
Gain (Loss) on Sale of Equipment	<u>50</u>	<u>1,337</u>
<b>Total Unrestricted Revenue and Support</b>	<u>6,837,924</u>	<u>6,747,347</u>
<b>Expenses (See Note 8 for Functional Classification)</b>		
Accounting and Auditing	39,288	38,144
Bad Debt Expense	12,630	0
Board of Trustee Fees	5,200	8,450
Data Processing and Line Charges	26,719	18,842
Depreciation and Amortization	117,357	131,666
Dues, Registration and Subscriptions	78,906	72,272
Employee Education, Relations and Welfare	14,914	13,426
Insurance - Premiums for Employee Health, Disability and Life	349,729	353,421
Insurance - Corporate	24,287	46,839
Legal	3,924	3,191
Maintenance	49,258	98,614
Meetings and Conferences	43,290	33,125
Miscellaneous	58,532	91,889
Office Supplies	43,138	45,161
Other Outside Professional Services	122,380	42,604
Payroll Taxes	287,456	311,826
Pension (Note 4)	332,707	346,311
Physician Consultants	229,635	131,982
Postage and printing	56,130	39,821
Recruiting	10,323	18,552
Rent - Occupancy (Note 7)	308,990	402,134
Rent - Equipment	5,284	2,198
Salaries	3,825,663	4,002,323
Small Equipment Purchases (Note 6)	9,901	10,699
Subcontract	94,013	51,871
Telephone	80,957	76,063
Temporary Office Labor	62,544	3,912
Training	3,164	7,918
Travel	214,663	185,273
Utilities	105,478	141,836
VISTA Stipends and Allowances	<u>0</u>	<u>59,343</u>
<b>Total Expenses</b>	<u>6,616,460</u>	<u>6,789,706</u>
<b>Increase (Decrease) in Unrestricted Net Assets from Operations</b>	<u>221,464</u>	<u>(42,359)</u>
Net Assets at Beginning of Year	<u>2,592,433</u>	<u>2,634,792</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 2,813,897</b></u>	<u><b>\$ 2,592,433</b></u>

*The accompanying notes are an integral part of the financial statements.*

# HealthInsight

## Consolidated Statements of Cash Flows For The Years Ended June 30, 2009 and 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2009</b>	<b>2008</b>
Change in Net Assets	\$ 221,464	\$ (42,359)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	117,357	131,666
(Gain) Loss on Sale of Equipment	(50)	(1,337)
(Gain) Loss on Sale of Investment	54,805	86,066
Unrealized (Gain) Loss on Investments	24,581	30,128
Equity Share of Net (Gain) Loss from Investment in Affiliate and Other Investment	625	87
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable - Direct Federal Contracts	112,561	41,732
(Increase) Decrease in Accounts Receivable - Federal Pass- Through, Other Contracts and Grants	12,285	(259,475)
(Increase) Decrease in Grants Receivable	(125,086)	(38,191)
(Increase) Decrease in Accounts Receivable - Other	(1,040)	9,459
(Increase) Decrease in Prepaid Expenses	(201,911)	39,893
(Increase) Decrease in Deposits	1,218	0
(Decrease) Increase in Accounts Payable	3,759	(12,874)
(Decrease) Increase in Other Current Liabilities	25,351	15,316
(Decrease) Increase in Unearned Revenue	(75,197)	276,821
(Decrease) Increase in Accrued Vacation Wages	3,613	20,626
(Decrease) Increase in Accrued Payroll Expenses	(6,795)	6,434
Net Cash Provided (Used) by Operating Activities	<u>167,540</u>	<u>303,992</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the Sale of Investments	3,510,891	1,395,838
Investment in Mutual Funds	(3,587,712)	(1,337,837)
Investment in Other Assets	0	(7,950)
Reinvested Dividends and Capital Gain Distributions	(18,214)	(42,310)
Proceeds from the Sale of Equipment	50	2,144
Acquisition of Property and Equipment	(44,041)	(53,752)
Net Cash Provided (Used) by Investing Activities	<u>(139,026)</u>	<u>(43,867)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Cash Provided by Financing Activities	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,514	260,125
Cash and Cash Equivalents Beginning of Year	<u>1,234,719</u>	<u>974,594</u>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<b><u>\$ 1,263,233</u></b>	<b><u>\$ 1,234,719</u></b>

*The accompanying notes are an integral part of the financial statements.*

# HealthInsight

## Notes to Financial Statements

June 30, 2009 and 2008

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Activities - HealthInsight is a nonprofit organization which is tax exempt under Section 501(c)(3) of the Internal Revenue Code. HealthInsight serves as a community resource for health care quality improvement and quality assurance activities. This work is being performed primarily in the states of Utah and Nevada.

Contributions to the Organization qualify as charitable contributions to the extent provided by section 170 of the Internal Revenue Code.

- B. Consolidation of Related Entity - The Organization has adopted the provisions of the American Institute of Certified Public Accountants Statement of Position No. 94-3 (SOP 94-3) entitled *Reporting of Related Entities by Not-for-Profit Organizations*. SOP 94-3 states that a not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either a majority ownership or a majority voting interest in the board of trustees of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

The related entity is identified as:

HealthInsight of Nevada

The related entity was incorporated July 21, 2001 under Nevada nonprofit statutes, with the intent of being designated a Nevada in-state QIO to comply with contract procurement rules set forth by the Federal Department of Health & Human Services. The related entity received its tax exempt status under section 501(c)(3) during the year ended June 30, 2004.

- C. Basis of Accounting - Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.
- D. Unrestricted and Restricted Revenue and Support - Contributions and grants are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- E. Grants and Contributions - Grants and contributions, including unconditional promises to give, are recorded as receivables and as revenue in the period in which the donor's commitment to give is established. All grants and contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give (grants and contributions) are recorded at their net realizable value.

**HealthInsight**  
**Notes to Financial Statements**  
*June 30, 2009 and 2008*

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

- F. Cash and Cash Equivalents - For financial statement purposes, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
- G. Investments - Investments include mutual funds and real estate investment trusts (REITs). Mutual funds are valued at quoted market prices as of the financial statement date. The REITs are registered as nontraded REITs. They are valued at cost, as there is no established market value for them. Investment return consists of investment income, as well as realized and unrealized gains and losses.
- H. Property, Equipment and Depreciation - Property and equipment consists of furniture and equipment and leasehold improvements. Assets are recorded at cost and are depreciated using the straight-line method over their estimated useful lives.
- Maintenance, repairs and minor replacements are charged to expense as incurred. Major repairs and replacements that prolong the life of an asset are capitalized. The organization's policy is to capitalize amounts greater than \$500.
- I. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- J. Fair Values of Financial Instruments - The Organization's financial instruments include cash, investments, accounts receivable and accounts payable. The Organization estimates that the fair value of all financial instruments at June 30, 2009 does not differ materially from the aggregate carrying values of its financial instruments recorded in the statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information. The market values are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.
- K. Accounts Receivable - Accounts and grants receivable are recorded at the amount management expects to collect from outstanding balances. Because the Organization deals with a limited number of clients, mostly governmental agencies, management expects all receivables to be fully collectible, and has therefore not established an allowance for doubtful accounts. When accounts are judged by management to be uncollectible, they are written off directly to bad debt expense.



# HealthInsight

## Notes to Financial Statements

*June 30, 2009 and 2008*

### NOTE 2 - CONCENTRATIONS OF RISK

#### Business Risk

Direct federal and federal pass-through funds accounted for approximately 91 percent of the Organization's unrestricted revenues for the years ended June 30, 2009 and 2008.

#### Cash and Cash Equivalents

Cash and cash equivalents that potentially subject the Organization to credit risk include deposits in a financial institution that exceeded the U.S. Federal Deposit Insurance Corporation insurance limit by \$458,321 and \$609,441 in 2009 and 2008, respectively. Also, there was cash held in brokerage accounts that was either uninsured, or that exceeded FDIC limits, in the amounts of \$208,568 in 2009 and \$524,130 in 2008.

### NOTE 3 - INVESTMENTS

The Organization's investments are summarized as follows:

	<u>June 30, 2009</u>			<u>June 30, 2008</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Mutual Funds	\$ 670,616	\$ 646,035	\$ 646,035	\$ 653,023	\$ 634,530	\$ 634,530
REITs	72,798	N/A	72,798	68,654	N/A	68,654
	<u>\$ 743,414</u>		<u>\$ 718,833</u>	<u>\$ 721,677</u>		<u>\$ 703,184</u>

The mutual funds are classified as a current asset in the statement of financial position. The REITs are included in other investments, as noted below.

All investment income is reported in the operating section of the statement of activities. Investment fees of \$ 9,568 in 2009 and \$11,591 in 2008 are netted with investment income. The following schedule summarizes investment return presented in the statement of activities for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Investment Income	\$ 28,863	\$ 77,287
Realized Gains (Losses)	(54,805)	(86,066)
Unrealized Gains (Losses)	(24,581)	(30,128)
	<u>\$ (50,523)</u>	<u>\$ (38,907)</u>

#### Other Investments

Other investments held by the Organization consist of a 25% interest in an LLC (limited liability company), and the REITs listed above. The LLC investment is accounted for using the equity method. It generated losses of \$625 and \$87 for the years ended June 30, 2009 and 2008. These losses are included in investment income presented above. The total carrying value of other investments was \$ 72,185 and \$68,666 at June 30, 2009 and 2008. It is not practical to estimate the fair market value of these investments.

**HealthInsight**  
**Notes to Financial Statements**  
*June 30, 2009 and 2008*

**NOTE 4 - EMPLOYEE RETIREMENT PLANS**

The Organization has a retirement plan that covers all employees who have completed a minimum service requirement. Benefits under the plan are limited to the balance in participants' accounts. The plan combines a defined contribution feature and a 401(k) elective salary deferral feature. Under the 401(k) provision, employees can contribute up to 100% of their compensation subject to the maximum amounts allowed under federal tax law. The defined contribution feature requires that the Organization contribute an amount equal to 7.6% of each employee's compensation up to the Social Security wage base (the Social Security wage base is equal to 40% of the maximum amount of wages subject to Social Security tax), plus 11.9% of compensation over the Social Security wage base. However, the total contribution from the Organization is limited to 15.2% of compensation up to the Social Security wage base. The Organization's contributions to the plan included in expenses were \$332,707 and \$346,311 for the years ended June 30, 2009 and 2008, respectively. The Organization may make additional optional matching and discretionary contributions, not to exceed federal tax law limitations. For the years ended June 30, 2009 and 2008 the Organization did not make additional optional matching or discretionary contributions.

**NOTE 5 - GOVERNMENT OWNED PROPERTY**

Standard Data Processing System (SDPS) equipment required for Utah and Nevada Medicare operations are provided by Medicare. The title of the SDPS equipment remains with the Government. The equipment will be returned to the Government when HealthInsight concludes work on Medicare operations, or when the Government upgrades the equipment.

**NOTE 6 - SMALL EQUIPMENT EXPENSE**

Certain contracts require HealthInsight to purchase equipment. The contract revenue includes reimbursement to HealthInsight for the equipment purchases. Equipment purchased in this circumstance remains property of the contracting agency. These purchases are not included in HealthInsight's schedule of property and equipment and are not depreciated, but are considered an expense, and are classified as a small equipment expense.

**NOTE 7 - DESCRIPTION OF OPERATING LEASE ARRANGEMENTS**

The organization leases its office facilities in Las Vegas, Nevada, and Salt Lake City, Utah under operating leases expiring in 2011 and 2012.

The lease of the Salt Lake City facility covers the period from October 2008 through January 2012. The first four months of the lease were free. There is a clause for escalation of base monthly rent by 3 percent for each twelve-month period during the term of the lease.

# HealthInsight

## Notes to Financial Statements

June 30, 2009 and 2008

### NOTE 7 - DESCRIPTION OF OPERATING LEASE ARRANGEMENTS *(continued)*

The Las Vegas lease covers the period from December 1, 2005 through February 28, 2011 with options to renew for additional periods of three years. There is a 3 percent escalation clause for the lease payments each year. The Organization also leases an automobile under a three-year operating lease covering the period from June 30, 2006 to June 30, 2009.

The aggregate minimum future rental payments under noncancellable operating leases having remaining terms in excess of one year as of June 30, 2009 are:

Year Ended June 30:	
2010	411,254
2011	331,042
2012	<u>89,825</u>
<b>Total Minimum Future Rental Payments</b>	<b><u>\$ 832,121</u></b>

Total rental expense for all operating leases was \$308,989 and \$402,134 for the years ended June 30, 2009 and 2008 respectively.

The Organization has entered into several agreements to sublease portions of its office space in Las Vegas, none of which extends past June 30, 2010. Aggregate minimum rental income under all subleases is expected to be \$31,450 in 2010.

### NOTE 8 - FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized by their natural classification in the statement of activities. In addition, these costs have been allocated among the programs and supporting services benefitted as follows:

Program Expenses:	<u>2009</u>	<u>2008</u>
Quality Improvement	\$ 3,356,132	\$ 3,269,765
Quality Assurance	1,641,392	1,864,426
Community Education	615,962	648,018
General and Administrative	1,002,974	1,007,498
Fund-raising	<u>0</u>	<u>0</u>
<b>Totals</b>	<b><u>\$ 6,616,460</u></b>	<b><u>\$ 6,789,706</u></b>

**HealthInsight**  
**Notes to Financial Statements**  
*June 30, 2009 and 2008*

**NOTE 9 - LINE OF CREDIT**

The Organization has a \$500,000 revolving line of credit with a bank, all of which was unused at June 30, 2009. The interest rate is equal to the bank's prime rate, with a floor of 5 percent. The maturity date of the line is May 2, 2010.

**NOTE 10 - RELATED PARTY TRANSACTION**

In the year ending June 30, 2008, the organization sold a country club membership to an officer of the organization for \$18,000. The membership had a book value of \$20,300, and an undetermined market value. The organization had previously paid the 2008 dues assessment, and a transfer fee at the time of the sale.

# HealthInsight

## Consolidated Schedule of Expenditures of Federal Awards

For The Year Ended June 30, 2009

<u>Grantor / Program Title</u> <u>Federal Grantor / Pass-Through</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Contract or</u> <u>Pass-through</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
U.S. Department of Health and Human Services through the Centers for Medicare & Medicaid Services (CMS):			
*Direct Award - Utah Medicare	93.773	500-99-UT01	\$ 2,434,900
*Direct Award - Nevada Medicare	93.773	500-99-NV01	<u>2,430,309</u>
Total Direct Awards			<u>4,865,209</u>
Medicare's Quality Improvement Organization for Fast Track Appeal Process Pass Through From:			
*Illinois Foundation for Quality Health Care	93.773	HHSM-500-2008-IL	47,213
*Stratis Health-Minnesota	93.773	HHSM-500-2008-MN	45,910
*Virginia Health Quality Center	93.773	HHSM-500-2008-VA	41,079
*Acumentra Health-Oregon	93.773	HHSM-500-2008-OR	27,910
*Metastar-Wisconsin	93.773	HHSM-500-2008-WI	27,140
*Kansas Foundation for Medical Care	93.773	HHSM-500-2008-KS	23,038
*Colorado Foundation for Medical Care	93.773	HHSM-500-2008-CO	18,193
*Iowa Foundation for Medical Care	93.773	HHSM-500-2008-IA	12,590
Medicare's Case Management Assignment Protocol Pass Through From:			
*New Mexico Medical Review Association	93.773	HHSM-500-2006 NM002C	24,741
Electronic Health Records Project Pass Through From			
Utah Department of Health/Utah Medical Asso	93.778	H0728402	97,690
Utah Medicaid Transform Project Pass Through From			
University of Utah	93.793	0705UTTRA1	<u>7,156</u>
Total Pass-Through Awards			<u>372,660</u>
Total Awards through Centers for Medicare & Medicaid Services (CMS)			5,237,869
U.S. Department of Health and Human Services through the Centers for Disease Control & Prevention Pass Through From:			
*Southern Nevada Immunization Coalition	93.268	5H23IP922549-07	144,319
*Utah Department of Health, Community and Family Health Services-PCP Blood Pressure Model	93.945	U50/CCU821337	41,886
*Southern Nevada Health District-Child Lead Poisoning Prevention Program	93.197	5H64EH000145-04	18,401
Great Basin Health Leadership Institute of Nevada	93.069	5U90TP916964-10	24,706
Great Basin Health Leadership Institute Training CDC	93.283	9-UWC000111A	<u>46,791</u>
Total Pass-Through Awards through the Centers for Disease Control & Prevention			276,103

# HealthInsight

## Consolidated Schedule of Expenditures of Federal Awards

*For The Year Ended June 30, 2009*

U.S. Department of Health and Human			
Services through the Agency for Healthcare			
Research and Quality			
*For Process Reliability and Organizational			
Learning in Home Health Care	93.225	5-R18-HS17903-02	119,574
For Socio-Technical Probabilistic Risk			
Assessment in Home Health Care	93.226	K-PHS017139A	84,425
For Patient Centered Care UU	93.226	1-R18-HS017308-01	<u>74,670</u>
Total Pass-through Awards through the Agency for			
Healthcare Research and Quality			278,669

U.S. Department of Health and Human			
Services through Health Resources and Services			
Administration Pass Through From:			
Ryan White AIDS Project	93.917	X07HA00032	15,528

U.S. Department of Health and Human			
Services through Office of the Secretary			
Pass Through From:			
Great Basin Health Leadership Institute			
Amend 5	93.889	U3RHS05935	25,290
Utah Health Information Network	93.719	H80CS00043	<u>63,213</u>
Total Pass-through Awards through the Office of the			
Secretary			88,503

<b>Total - U.S. Department of Health and Human Services</b>	<b><u>\$ 5,896,672</u></b>
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\* Major Program

Note: The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
HealthInsight  
Salt Lake City, Utah

We have audited the consolidated financial statements of HealthInsight as of and for the year ended June 30, 2009, and have issued our report thereon dated January 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered HealthInsight's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Healthinsight's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Healthinsight's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Certified Public Accountants

# SMITH POWELL & company LLC

Goddard-Abbey Company 1912-1951  
Goddard, Suniville & Griffin 1951-1964  
Suniville, Griffin & Ellis 1964-1981  
Suniville, Griffin & Smith 1981-1997

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether HealthInsight's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the board of trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Smith Powell & Company LLC*

Janaury 13, 2010

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Salt Lake City, UT 84101



**REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Board of Trustees  
HealthInsight  
Salt Lake City, Utah

Compliance

We have audited the compliance of HealthInsight with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. HealthInsight's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of HealthInsight's management. Our responsibility is to express an opinion on HealthInsight's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HealthInsight's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of HealthInsight's compliance with those requirements.

In our opinion, HealthInsight complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of HealthInsight is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered HealthInsight's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HealthInsight's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the board of trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Smith Powell & Company LLC*

January 13, 2010

**HealthInsight**  
**Consolidated Schedule of Findings and Questioned Costs**  
*June 30, 2009*

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of HealthInsight for the year ended June 30, 2009.
2. There were no significant deficiencies in internal control disclosed by the audit of the financial statements.
3. The audit disclosed no instances of noncompliance which are material to the consolidated financial statements of HealthInsight, as required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs for HealthInsight expresses an unqualified opinion on all major federal programs.
6. There were no audit findings for HealthInsight that are required to be reported in accordance with Section 510(a) of OMB Circular 133-A.
7. For purposes of the audit, the Utah and Nevada Medicare contracts, CFDA# 93.773 were considered to be major programs.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. HealthInsight qualified as a low-risk auditee.

**FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT**

None.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS**

None.

**HealthInsight**  
**Summary Schedule of Prior Audit Findings**  
*June 30, 2009*

**CURRENT STATUS:**

There are no prior audit findings to report for the year ended June 30, 2009.